

ANNUAL REPORT
CHECKLIST

for
FISCAL YEAR ENDED:

6/30/2013

RECEIVED
NOV 01 2013

CONTINUING CARE
CONTRACTS BRANCH

PROVIDER: 899 CHARLESTON

FACILITY(IES): DBA MOLDAW FAMILY RESIDENCES

CONTACT PERSON: VIC MEINKE, CFO

TELEPHONE NO.: (415) 562-2690

✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓

Your complete annual report must consist of 3 copies of all of the following:

✓✓ This cover sheet.

✓ Annual Provider Fee in the amount of: \$ 11,135

✓ If applicable, late fee in the amount of: \$ 0

✓✓ Certification by the provider's chief *executive* officer that:

- ✓ The reports are correct to the best of his/her knowledge.
- ✓ Each continuing care contract form in use or offered to new residents has been approved by the Department.
- ✓ The provider is maintaining the required *liquid reserve* and refund reserve, if applicable.

✓✓ Evidence of the provider's fidelity bond.

- ✓ The provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- ✓ The provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- ✓ The provider's "Continuing Care Retirement Community Disclosure Statement" for **each** community. (4 copies total)

The Key Indicators Report is required to be submitted within 30 days of the due date of the submission of the annual report. (4 copies total)

RECEIVED
NOV 01 2013
CONTINUING CARE
CONTRACTS BRANCH

MOLDAW RESIDENCES

INSPIRED RETIREMENT LIVING

Taube Koret Campus for Jewish Life



October 30, 2013

Continuing Care Contracts Branch
California Department of Social Services
744 P Street, M.S. 10-90
Sacramento, CA 95814

RE: 899 Charleston DBA: Moldaw Family Residences

Dear Sir/Madam,

This is to certify the following:

The annual report and disclosure statement are correct to the best of my knowledge.

The continuing care contracts that are in use and offered to new residents have been approved by the Department.

We are maintaining the required liquid reserve.

Sincerely,



George Pillari
Chief Executive Officer



899CHAR-01

SUARNAL

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

8/19/2013

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Willis Insurance Services of California, Inc. c/o 26 Century Blvd. P.O. Box 305191 Nashville, TN 37230-5191		RECEIVED NOV 01 2013 CONTINUING CARE CONTRACTS BRANCH	CONTACT NAME: PHONE (A/C, No, Ext): (877) 945-7378 FAX (A/C, No): (888) 467-2378 E-MAIL: ADDRESS:	
INSURED 899 Charleston Attn: Accounting Dept. 899 E. Charleston Palo Alto, CA 94303			INSURER(S) AFFORDING COVERAGE INSURER A: Philadelphia Indemnity Insurance Company NAIC # 18058 INSURER B: INSURER C: INSURER D: INSURER E: INSURER F:	

COVERAGES**CERTIFICATE NUMBER:****REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL SUBR INSR	WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	GENERAL LIABILITY <input type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC						EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COM/OP AGG \$ COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (PER ACCIDENT) \$
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> NON-OWNED AUTOS						EACH OCCURRENCE \$ AGGREGATE \$
	UMBRELLA LIAB <input type="checkbox"/> OCCUR EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED <input type="checkbox"/> RETENTION \$						E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? <input type="checkbox"/> Y/N (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below		N/A				
A	Crime			PHSD758121	7/1/2012	9/11/2013	See Attached

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

CERTIFICATE HOLDER**CANCELLATION**

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

Information Only

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ADDITIONAL COVERAGE SCHEDULE

COVERAGE	LIMITS
POLICY TYPE: Crime Liability CARRIER: Philadelphia Indemnity Insurance Company POLICY TERM: 7/1/2012 – 9/11/2013 POLICY NUMBER: PHSD758121	Crime Protection Plus Coverage - Fidelity - \$500,000 with \$5,000 Ded ERISA - \$500,000 with \$0 Ded

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	\$2,920 to \$6,030	\$6,500 to \$7,300	N/A
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.0 %	4.0 %	N/A
<input type="checkbox"/> Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)			
[3] Indicate the date the fee increase was implemented: (If more than 1 increase was implemented, indicate the dates or each increase.)	<u>1/1/2013</u>		
[4] Check each of the appropriate boxes:			
<input checked="" type="checkbox"/> Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.			
<input checked="" type="checkbox"/> All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.			
<input checked="" type="checkbox"/> At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.			
<input checked="" type="checkbox"/> At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.			
<input checked="" type="checkbox"/> The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.			
<input checked="" type="checkbox"/> The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.			
[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.			

PROVIDER: 899 Charleston, DBA Moldaw Family Residences FYE 6/30/13

COMMUNITY: Moldaw Family Residences

899 Charleston DBA
Moldaw Family Residences
Support Schedule for Form 7-1, Support for Increase in Monthly Fees
FYE June 30, 2013

(5) Attach a page to provide an explanation for the increase in monthly service fees including the amount of increase.

The price increase in monthly service fees was based upon the budget model that was reviewed by the Resident Finance, Resident Council and the Board of Directors.

In determining the annual resident fee increase, the following factors were considered:

- Part of the budget process included census projection
- Expenses are reviewed line item by line item to support the projected census.
- Economic factors are reviewed to gauge inflation.
- Look into CCRC Rent increases using national benchmark data
- Comparison of rate increases of other local and Greystone managed communities

The amount of the final rate adjustment was spread based on unit type and on per capita basis.

Please refer to the FY 2013 Budget Presentation handout included in the annual report to DSS that was available to all Residents at our meeting.

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	147
[2]	Number at end of fiscal year	182
[3]	Total Lines 1 and 2	329
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	164.5
All Residents		
[6]	Number at beginning of fiscal year	159
[7]	Number at end of fiscal year	194
[8]	Total Lines 6 and 7	353
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	176.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.93

FORM 1-2
ANNUAL PROVIDER FEE

Line	TOTAL
[1] Total Operating Expenses (including depreciation and debt service - interest only)	\$16,813,179
[a] Depreciation	\$4,150,017
[b] Debt Service (Interest Only)	\$716,078
[2] Subtotal (add Line 1a and 1b)	\$4,866,095
[3] Subtract Line 2 from Line 1 and enter result.	\$11,947,084
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	93%
[5] Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$11,134,818 x .001
[6] Total Amount Due (multiply Line 5 by .001)	\$11,135

PROVIDER: 899 Charleston DBA: Moldaw Family Residences FYE 6/30/13
COMMUNITY: Moldaw Family Residences

**Continuing Care Retirement Community
Disclosure Statement
General Information**

10/30/2013
RECEIVED
NOV 01 2013
CONTRACTS BRANCH

FACILITY NAME: Moldaw Residences
ADDRESS: 899 East Charleston Road, Palo Alto ZIP CODE: 94303 PHONE: 650-433-8600
PROVIDER NAME: _____ FACILITY OPERATOR: 899 Charleston
RELATED FACILITIES: None RELIGIOUS AFFILIATION: Jewish
YEAR OPENED: _____ NO. OF ACRES: _____ MULTI-STORY: ☒ SINGLE STORY: ☐ BOTH: ☐
MILES TO SHOPPING CTR: 2 MILES TO HOSPITAL: 2

NUMBER OF UNITS:	INDEPENDENT LIVING	HEALTH CARE
APARTMENTS - STUDIO	<u>0</u>	ASSISTED LIVING <u>12</u>
APARTMENTS - 1 BDRM	<u>74</u>	SKILLED NURSING <u>0</u>
APARTMENTS - 2 BDRM	<u>84</u>	SPECIAL CARE <u>11</u>
COTTAGES/HOUSES	<u>12 (3bdrm apt)</u>	DESCRIBE SPECIAL CARE: <u>Memory Support</u>
% OCCUPANCY AT YEAR END	<u>76%</u>	

TYPE OF OWNERSHIP: ☒ NOT FOR PROFIT ☐ FOR PROFIT ☐ ACCREDITED: ☐ Y ☐ N BY: _____

FORM OF CONTRACT: ☐ LIFE CARE ☒ CONTINUING CARE ☐ FEE FOR SERVICE
☐ ASSIGN ASSETS ☐ EQUITY ☒ ENTRY FEE ☐ RENTAL

REFUND PROVISIONS (Check all that apply): ☒ 90% ☐ 75% ☒ 50% ☒ PRORATED TO 0% ☒ OTHER: _____

RANGE OF ENTRANCE FEES: \$ 230,000 TO \$ 1,206,000 LONG-TERM CARE INSURANCE REQUIRED? ☐ Y ☒ N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: 10 day stay at SNF a year and discount in Assisted Living

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: _____ OTHER: _____

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING TIMES/MONTH	<u>2x/mo</u>	_____
BILLIARD ROOM	<input type="checkbox"/>	<input type="checkbox"/>	NUMBER OF MEALS/DAY	<u>11 IL/3</u>	_____
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<u>Yes</u>	_____
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PERSONAL NURSING/HOME CARE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>
OTHER <u>Cultural Center</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: Moldaw Residences

CCRCs	LOCATION (City, State)	PHONE (with area code)
Moldaw Residences	Palo Alto, California	650-433-3600
MULTI-LEVEL RETIREMENT COMMUNITIES		
FREE-STANDING SKILLED NURSING		
SUBSIDIZED SENIOR HOUSING		

*** PLEASE INDICATE IF THE FACILITY IS LIFE CARE.**

PROVIDER NAME: Moldaw Residences

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)		\$3,800,986	\$5,808,744	\$6,890,124
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)		\$7,046,872	\$8,282,875	\$9,487,348
NET INCOME FROM OPERATIONS		<u>-\$3,245,886</u>	<u>-\$2,474,131</u>	<u>-\$2,597,224</u>
LESS INTEREST EXPENSE		\$1,919,252	\$737,303	\$716,078
PLUS CONTRIBUTIONS		\$2,944,999	\$483,384	\$206,822
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)		-\$2,136,222	-\$1,884,537	-\$1,588,372
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION		<u>-\$4,356,361</u>	<u>-\$4,612,587</u>	<u>-\$4,694,852</u>
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)		<u>\$15,200,942</u>	<u>\$19,827,411</u>	<u>\$16,906,652</u>

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Bank of America	\$103,570,095	0.12	08/01/07	06/01/41	35 years

FINANCIAL RATIOS (see next page for ratio formulas)

	2009 CCAC Medians 50 th Percentile (optional)	2011	2012	2013
DEBT TO ASSET RATIO		.58	.59	.48
OPERATING RATIO		1.85	1.43	1.33
DEBT SERVICE COVERAGE RATIO		4.57	.78	1.46
DAYS CASH-ON-HAND RATIO		127.25	79.97	188.06

**HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE**

	2010	%	2011	%	2012	%	2013
STUDIO		0.0%		0.0%		0.0%	
ONE BEDROOM		0.0%	\$2,805	0.0%	\$2,902	0.0%	\$3,213
TWO BEDROOM		0.0%	\$4,145	0.0%	\$4,222	0.0%	\$4,392
COTTAGE/HOUSE		0.0%	\$5,800	0.0%	\$5,992	0.0%	\$6,271
ASSISTED LIVING		0.0%		0.0%		0.0%	
SKILLED NURSING		0.0%		0.0%		0.0%	
SPECIAL CARE		0.0%		0.0%		0.0%	

COMMENTS FROM PROVIDER: _____

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

OPERATING RATIO

$$\frac{\begin{array}{l} \text{Total Operating Expenses} \\ \text{-- Depreciation Expense} \\ \text{-- Amortization Expense} \end{array}}{\begin{array}{l} \text{Total Operating Revenues} \\ \text{-- Amortization of Deferred Revenue} \end{array}}$$

DEBT SERVICE COVERAGE RATIO

$$\frac{\begin{array}{l} \text{Total Excess of Revenues over Expenses} \\ \text{+ Interest, Depreciation,} \\ \text{and Amortization Expenses} \\ \text{-- Amortization of Deferred Revenue} \\ \text{+ Net Proceeds from Entrance Fees} \end{array}}{\text{Annual Debt Service}}$$

DAYS CASH ON HAND RATIO

$$\frac{\begin{array}{l} \text{Unrestricted Current Cash} \\ \text{And Investments} \\ \text{+ Unrestricted Non-Current Cash} \\ \text{and Investments} \end{array}}{(\text{Operating Expenses -- Depreciation} \\ \text{- Amortization})/365}$$

Note: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

**899 CHARLESTON
DBA MOLDAW FAMILY RESIDENCES**

CONTINUING CARE RESERVE REPORT

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2013
AND INDEPENDENT AUDITORS' REPORT**

899 CHARLESTON
DBA MOLDAW FAMILY RESIDENCES
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Independent Auditors' Report

To the Board of Trustees of
899 CHARLESTON
DBA MOLDAW FAMILY RESIDENCES

We have audited the accompanying continuing care reserve report of 899 Charleston dba Moldaw Family Residences (the "Organization"), which comprise the continuing care liquid reserve schedules, Forms 5-1 through 5-5 and related supporting schedules, as of and for the year ended June 30, 2013 and related notes (the "report").

Management's Responsibility for the Report

Management is responsible for the preparation and fair presentation of this report in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the report that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the report based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

TO THE BOARD OF TRUSTEES OF
899 CHARLESTON
DBA MOLDAW FAMILY RESIDENCES
October 30, 2013
Page 2

Opinion

In our opinion, the report referred to above presents fairly, in all material respects, the continuing care reserve of the Organization as of and for the year ended June 30, 2013, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis of Accounting

We draw attention to the basis of accounting used to prepare the report. The report is prepared by the Organization on the basis of the liquid reserve requirements of California Health and Safety Code Section 1792, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of California Health and Safety Code Section 1792. Our opinion is not modified with respect to this matter.

Restriction on Use

This report is intended solely for the use of the board of trustees and management of Organization and the California Department of Social Services and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Seibu LLP", is written in dark ink.

Redwood City, California
October 30, 2013

FORM 5-1
LONG-TERM DEBT INCURRED
IN A PRIOR FISCAL YEAR
(Including Balloon Debt)

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	08/01/07	\$8,649,063	\$219,397	\$1,541,166	\$10,409,626
2	10/01/09	\$0	\$0	\$0	\$0
3	07/01/10	\$0	\$0	\$0	\$0
4	03/31/11	\$0	\$0	\$0	\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:			\$219,397	\$1,541,166	\$10,409,626

(Transfer this amount to Form 5-3, Line 1)

NOTE: For column (b), do not include voluntary payments made to pay down principal.
NOTE: For column (c), amount does not include amortized discount on subordinated note

PROVIDER: 899 Charleston DBA: Moldaw Family Residences FYE 6/30/13

FORM 5-2
LONG-TERM DEBT INCURRED
DURING FISCAL YEAR
(Including Balloon Debt)

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1					\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:		\$0	\$0	0	\$0

*(Transfer this amount to
Form 5-3, Line 2)*

NOTE: For column (b), do not include voluntary payments made to pay down principal.

PROVIDER: 899 Charleston DBA: Moldaw Family Residences FYE 6/30/13

FORM 5-3
CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	<u>\$10,409,626</u>
2	Total from Form 5-2 bottom of Column (e)	<u>\$0</u>
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	<u>\$0</u>
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	<u><u>\$10,409,626</u></u>

PROVIDER: 899 Charleston DBA: Moldaw Family Residences FYE 6/30/13

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		\$16,813,179
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	\$716,078	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	\$1,541,166	
	c. Depreciation	\$4,150,017	
	d. Amortization	\$871,364	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$800,423	
	f. Extraordinary expenses approved by the Department	\$0	
3	Total Deductions		\$8,079,048
4	Net Operating Expenses		\$8,734,131
5	Divide Line 4 by 365 and enter the result.		\$23,929
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		\$1,794,684

PROVIDER: 899 Charleston DBA: Moldaw Family Residences FYE 6/30/13

COMMUNITY: Moldaw Family Residences

899 Charleston DBA:
Moldaw Family Residences
Support Schedule for Form 5-4 Calculation of Net Operating Expenses, Lines 2d and 2e
FYE June 30, 2013

Line 2a: Reconciliation of interest paid per form 5-1 and per form 5-4, line 2a:

Interest paid during fiscal year, per form 5-1, column C	\$ 219,397
Less: Interest payable as of 6/30/2012	(19,374)
Plus: Interest payable as of 6/30/2013	7,375
Amortization of discount on subordinated note	508,680
Interest paid on long-term debt per form 5-4, line 2a	<u>\$ 716,078</u>

Line 2d: Reconciliation of amortization of bond issuance costs and LOC fees to amortization per form 5-4, line 2d:

Amortization of bond issuance costs and LOC fees per statement of cash flows	\$ 841,007
Plus: Bond issuance cost payments Included in amortization	30,357
Amortization per form 5-4, line 2d	<u>\$ 871,364</u>

Line 2e: Revenues received during the fiscal year for services to persons who did not have a continuing care contract

Cash received from services and other income per statement of cash flows	\$ 298,565
Less: Accounts receivable related to other income as of 6/30/12	(4,098)
Plus: Accounts receivable related to other income as of 6/30/13	2,472
Other revenues for services to residents (include accrued income)	<u>(244,986)</u>
Total revenues for services to non-residents	\$ 51,953
	<u>748,470</u>

(A) Revenues from residents without continuing care contract

Total revenues received during the fiscal year for services to persons who did not have a continuing care contract,
Form 5-4, line 2e

	<u>\$ 800,423</u>
--	-------------------

Cash received from resident fees per the statement of cash flows

Less: Cash received from resident fees with continuing care contracts

Cash received from resident fees without continuing care contracts

Plus: Accounts receivable related to resident fees without continuing care contracts as of 6/30/13

Less: Accounts receivable related to resident fees without continuing care contracts as of 6/30/12

Revenues from residents without continuing care contract

Cash received from resident fees per the statement of cash flows	\$ 6,539,385
Less: Cash received from resident fees with continuing care contracts	5,723,182
Cash received from resident fees without continuing care contracts	<u>816,203</u>
Plus: Accounts receivable related to resident fees without continuing care contracts as of 6/30/13	2,237
Less: Accounts receivable related to resident fees without continuing care contracts as of 6/30/12	<u>(69,970)</u>
Revenues from residents without continuing care contract	<u>\$ 748,470 (A)</u>

**FORM 5-5
ANNUAL RESERVE CERTIFICATION**

Provider Name: 899 Charleston DBA: Moldaw Family Residences

Fiscal Year Ended: June 30, 2013

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended June 30, 2013 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year are as follows:

	<u>Amount</u>
[1] Debt Service Reserve Amount	<u>\$10,409,626</u>
[2] Operating Expense Reserve Amount	<u>\$1,794,684</u>
[3] Total Liquid Reserve Amount:	<u>\$12,204,310</u>

Qualifying assets sufficient to fulfill the above requirements are held as follows:

<u>Qualifying Asset Description</u>	<u>Amount</u>		<u>Amount</u>
	<u>Debt Service Reserve</u>		<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	<u>\$12,569,147</u>		<u>\$6,921,237</u>
[5] Investment Securities			
[6] Equity Securities			
[7] Unused/Available Lines of Credit			
[8] Unused/Available Letters of Credit			
[9] Debt Service Reserve	<u>\$8,978,388</u>		(not applicable)
[10] Other:	<u>\$199</u>		<u>\$0</u>
Accrued interest on the reserve fund			
(describe qualifying asset)			
Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	<u>\$21,547,734</u>	[12]	<u>\$6,921,237</u>
Reserve Obligation Amount: [13]	<u>\$10,409,626</u>	[14]	<u>\$1,794,684</u>
Surplus/(Deficiency): [15]	<u>\$11,138,108</u>	[16]	<u>\$5,126,553</u>

Signature: _____

Date: October 30, 2013

(Authorized Representative)

Victor Meinke, CFO

(Title)

899 Charleston DBA:

Moldaw Family Residences

Support Schedule for Form 5-5, Annual Reserve Calculation, line 4, 9, 10 and 11

FYE June 30, 2013

		Amount	
Qualifying Asset Description		DEBT RESERVE	OPERATING RESERVE
	Operating checking accounts	\$ -	\$ 1,372,379
	Capital campaign account	-	26,073
	Depositor account	1,234,130	-
	Turnover entrance fee account	-	2,022,785
	DSS Escrow account	4,813,966	-
	Wilmington Trust	1,177,021	3,500,000
	Entrance fee account	6,419,399	-
	Capitalized interest account in trust	164,681	-
		13,809,197	
	Less: Amount related to refundable deposits to prospective residents and refundable parking deposits	(1,240,050)	-
Line 4	Total cash and cash equivalent	12,569,147	6,921,237
Line 9	Debt service reserve in trust	8,978,388	-
Line 10	Accrued interest on the reserve fund and depositor escrow account	199	-
Line 11	Total Amount of Qualifying Assets listed for reserve obligation	\$ 21,547,734	\$ 6,921,237

899 Charleston DBA:
Moldaw Family Residences
Fiscal Year Ended June 30, 2013
Support Schedule for Form 5-5, Annual Reserve Calculation (continued)
Required Disclosure under Section 1790(a)(2) of the Health and Safety Code

	<u>2013</u>	<u>2012</u>
Escrow Entrance fees - This amount represents entrance fees collected beginning September 1, 2010 that are to be used to make principal payments on the tax exempt bonds pursuant to loan agreements.	\$ 13,119,205	\$ 10,440,048
Debt service reserve fund - This amount represents the required reserve fund for the letter of credit. The moneys are reserve only to be used if other funds are insufficient to satisfy the debt service requirements.	8,978,388	8,978,388
Accrued interest on bond fund - This amount represents the June accrued interest earned from the debt service fund that is booked to July statement.	199	197
Capitalized interest account - This amount represents the balance that is used to pay the bond and letter of credit interest and fees. At June 30, 2012, this account included a portion of the principal payment due in July.	164,681	2,036,177
New depositor account - This account is used to receive the 10% deposit amount when a resident reserves a unit.	1,234,130	462,229
Escrow Depositor account - consist of refundable reservation deposits from prospective residents and deposits from current residents, equal to 10% of the total entrance fees paid that were received prior to the issuance of the provisional PCOA. The account is held in this escrow account until occupancy attains 80% at which time the fund will be released by DSS.	4,813,966	5,105,004
	<u>\$ 28,310,569</u>	<u>\$ 27,022,043</u>
Less: Amount related to refundable deposits to prospective residents and refundable parking deposits	<u>(1,240,050)</u>	<u>(1,226,012)</u>
	<u>\$ 27,070,519</u>	<u>\$ 25,796,031</u>
Per capita cost	\$ 153,374	\$ 177,904

899 CHARLESTON
DBA MOLDAW FAMILY RESIDENCES
Notes to Continuing Care Reserve Report

1. MISSION STATEMENT

899 Charleston dba Moldaw Family Residences (the "Organization") is a not-for-profit continuing care retirement community providing residential facilities designated to meet the needs of aged persons, addressing the well being of the residents and adopting policies to protect them against financial risks.

2. DESCRIPTION OF BUSINESS

899 Charleston dba Moldaw Family Residences was established on March 30, 2006 as a California nonprofit public benefit corporation for the purposes of constructing, owning and operating a continuing care retirement community. The specific and primary purposes of the Organization are: (1) to provide residential facilities which are specifically designated to meet a combination of physical, emotional, recreation, social and similar needs of aged persons; (2) to maintain arrangements with organizations, facilities, and/or health personnel to address the well being of the residents; and (3) to adopt policies and procedures designed to address the need of the residents for protection against financial risks associated with the later years of life. The facility includes 170 independent living units, 11 dementia/assisted living units and 12 assisted living units. The Organization provides housing and other related services to the residents.

The Organization has entered into continuing care contracts with the residents of its continuing care facility. Under the provision of these contracts, residents are required to pay an entrance fee and periodic monthly fees for services and the use of facility for life. The residence agreement does not entitle the residents to an ownership interest in the property.

3. CONTINUING CARE RESERVE REPORT SCHEDULES

The California Health and Safety Code section 1792 ("H&SC") requires continuing care contract providers to establish and maintain statutory and refund reserves to ensure financial resources will be available to fulfill contractual obligations to residents. The continuing care reserve report (the "Report"), which calculates reserve requirements, is prepared in accordance with the January 1, 2007 *Annual Report Instructions* provided by the State of California Department of Social Services. The Report is required to be submitted annually to the California Department of Social Services within four months of year-end.

**899 CHARLESTON
DBA MOLDAW FAMILY RESIDENCES**

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

899 CHARLESTON
DBA MOLDAW FAMILY RESIDENCES
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Independent Auditors' Report

To the Board of Trustees of
899 CHARLESTON
DBA MOLDAW FAMILY RESIDENCES

We have audited the accompanying financial statements of 899 Charleston dba Moldaw Family Residences (the "Organization") which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of revenues, expenses and other changes in unrestricted net assets (deficit), changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

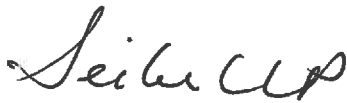
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

TO THE BOARD OF TRUSTEES OF
899 CHARLESTON
DBA MOLDAW FAMILY RESIDENCES
October 30, 2013
Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 899 Charleston dba Moldaw Family Residences as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in dark ink, appearing to read "Seiber" followed by a stylized flourish or initials.

Redwood City, California
October 30, 2013

899 CHARLESTON
DBA MOLDAW FAMILY RESIDENCES
Statements of Financial Position

	June 30,	
	2013	2012
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,372,379	\$ 1,296,726
Restricted cash and cash equivalents	19,358,254	18,556,648
Accounts receivable	47,291	48,701
Notes receivable	5,831,748	1,901,840
Pledge receivables, net	336,266	425,299
Prepaid expenses and other assets	620,906	623,005
Other receivables	42,091	135,843
Total current assets	27,608,935	22,988,062
RESTRICTED CASH AND CASH EQUIVALENTS	8,978,388	8,978,388
PLEDGE RECEIVABLES, NET, less current portion	219,677	465,037
PROPERTY AND EQUIPMENT, NET	131,592,085	135,159,707
BOND ISSUANCE COST, NET	1,121,342	1,962,349
BENEFICIAL INTEREST IN JEWISH HOME & SENIOR LIVING FOUNDATION	4,626,290	3,955,772
DEFERRED CONTINUING CARE CONTRACT COSTS, NET	2,076,380	2,408,601
Total assets	<u>\$ 176,223,097</u>	<u>\$ 175,917,916</u>

(continued)

899 CHARLESTON
DBA MOLDAW FAMILY RESIDENCES
Statements of Financial Position (continued)

	June 30,	
	2013	2012
<u>LIABILITIES AND NET ASSETS (DEFICIT)</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 885,533	\$ 566,421
Accrued liabilities	184,293	156,508
Deferred monthly fees and other liabilities	20,401	96,667
Accrued interest payable	7,375	19,374
Refundable deposits	1,240,050	1,226,012
Refundable entrance fees	2,098,453	1,457,285
Current portion of loans payable	4,941,000	2,422,200
Current portion of bonds payable	20,156,000	11,358,800
Total current liabilities	29,533,105	17,303,267
LOANS PAYABLE, NET OF CURRENT PORTION	22,530,633	25,919,816
BONDS PAYABLE, NET OF CURRENT PORTION	62,674,000	78,741,200
REFUNDABLE ENTRANCE FEES	78,673,858	64,862,268
DEFERRED REVENUE FROM ENTRANCE FEES	8,948,824	6,824,442
Total liabilities	202,360,420	193,650,993
COMMITMENTS AND CONTINGENCIES (Note 17)		
NET ASSETS (DEFICIT)		
Unrestricted	(32,000,747)	(26,504,165)
Temporarily restricted	2,017,942	5,053,822
Permanently restricted	3,845,482	3,717,266
Total net deficit	(26,137,323)	(17,733,077)
Total liabilities and net assets (deficit)	\$ 176,223,097	\$ 175,917,916

See Notes to Financial Statements

899 CHARLESTON**DBA MOLDAW FAMILY RESIDENCES****Statements of Revenues, Expenses and Other Changes in Unrestricted Net Assets (Deficit)**

	For the Years Ended June 30,	
	2013	2012
OPERATING REVENUE AND SUPPORT		
Revenues		
Resident fees	\$ 6,593,185	\$ 5,548,828
Amortization of entrance fees	1,605,655	1,037,976
Fees for services and other income	296,939	259,916
Interest income	3,182	407,201
	<u>8,498,961</u>	<u>7,253,921</u>
Support		
Unrestricted contributions	831	4,999
Total operating revenues and support	<u>8,499,792</u>	<u>7,258,920</u>
EXPENSES		
Depreciation and amortization	5,021,381	5,279,724
Marketing and advertising	2,576,345	2,204,372
Dining services	1,997,419	1,688,334
LOC and remarketing fees	1,555,661	1,857,997
Plant operations	1,415,427	1,332,811
General and administration	1,360,511	1,191,084
Activities and resident services	930,821	759,695
Memory support and assisted living services	887,654	800,441
Interest expense	716,078	737,303
Housekeeping	319,171	306,138
Fundraising	32,711	26,540
Total expenses	<u>16,813,179</u>	<u>16,184,439</u>
DECREASE IN UNRESTRICTED NET ASSETS		
FROM OPERATIONS BEFORE OTHER INCOME (EXPENSE)		
AND OTHER CHANGES IN NET ASSETS	(8,313,387)	(8,925,519)
OTHER INCOME (EXPENSE)		
Debt restructuring fees	(553,537)	(531,284)
Total other income (expense)	<u>(553,537)</u>	<u>(531,284)</u>
DECREASE IN UNRESTRICTED NET ASSETS FROM		
OPERATIONS BEFORE OTHER CHANGES IN NET ASSETS	(8,866,924)	(9,456,803)
OTHER CHANGES IN NET ASSETS		
Net assets released from restrictions - satisfaction of purpose	2,860,452	-
Net assets released from restrictions - satisfaction of time	509,890	510,722
DECREASE IN UNRESTRICTED NET ASSETS	<u>(5,496,582)</u>	<u>(8,946,081)</u>
UNRESTRICTED NET DEFICIT, BEGINNING OF YEAR	(26,504,165)	(17,558,084)
UNRESTRICTED NET DEFICIT, END OF YEAR	<u>\$ (32,000,747)</u>	<u>\$ (26,504,165)</u>

See Notes to Financial Statements

899 CHARLESTON
DBA MOLDAW FAMILY RESIDENCES
Statements of Changes in Net Assets (Deficit)

	For the Years Ended June 30,	
	2013	2012
UNRESTRICTED NET ASSETS		
Decrease in unrestricted net assets from operations	\$ (8,866,924)	\$ (9,456,803)
Net assets released from restrictions - satisfaction of purpose	2,860,452	-
Net assets released from restrictions -satisfaction of time	509,890	510,722
Decrease in unrestricted net assets	(5,496,582)	(8,946,081)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	77,775	50,469
Bad debt expense related to restricted contributions	(160,616)	-
Net assets released from restrictions - satisfaction of purpose	(2,860,452)	-
Net assets released from restrictions -satisfaction of time	(509,890)	(510,722)
Change in beneficial interest in Jewish Home & Senior Living Foundation	417,303	51,188
Decrease in temporarily restricted net assets	(3,035,880)	(409,065)
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	128,216	427,916
Increase in permanently restricted net assets	128,216	427,916
Decrease in net assets	(8,404,246)	(8,927,230)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(17,733,077)	(8,805,847)
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ (26,137,323)</u>	<u>\$ (17,733,077)</u>

See Notes to Financial Statements

899 CHARLESTON
DBA MOLDAW FAMILY RESIDENCES
Statements of Cash Flows

	For the Years Ended June 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from entrance fees	\$ 16,906,652	\$ 19,827,411
Cash received from resident fees	6,539,385	5,577,707
Cash received from services and other income	298,565	262,096
Cash received from contributions	831	4,999
Interest income received	3,182	407,201
Cash paid for interest on long-term debt	(219,397)	(219,259)
Cash paid for line of credit and remarketing fees	(1,541,166)	(2,268,193)
Cash paid to suppliers, employees and others	(8,915,284)	(7,861,817)
Cash paid for debt restructuring fees	(567,884)	(676,621)
Net cash provided by operating activities	12,504,884	15,053,524
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(582,395)	(137,835)
(Increase) decrease in restricted cash and cash equivalents	(801,606)	7,404,019
(Increase) decrease in refundable deposits	34,038	(707,102)
Decrease (increase) in other receivables	60	144
Increase in beneficial interest in Jewish Home & Senior Living Foundation	(253,216)	(427,916)
Net cash provided by (used in) investing activities	(1,603,119)	6,131,310
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of bond principal	(7,270,000)	(16,425,000)
Payments of loan principal	(1,379,063)	(4,380,842)
Proceeds from restricted contributions	1,899	-
Proceeds from capital campaign contributions	474,817	992,928
Entrance fees refunded	(2,653,765)	(998,165)
Net cash used in financing activities	(10,826,112)	(20,811,079)
NET INCREASE IN CASH AND CASH EQUIVALENTS	75,653	373,755
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,296,726	922,971
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,372,379</u>	<u>\$ 1,296,726</u>

(continued)

899 CHARLESTON
DBA MOLDAW FAMILY RESIDENCES
Statements of Cash Flows (continued)

	For the Years Ended June 30,	
	2013	2012
RECONCILIATION OF CHANGES IN NET ASSETS TO CASH FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (8,404,246)	\$ (8,927,230)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Amortization of entrance fees	(1,605,655)	(1,037,976)
Amortization of deferred continuing care contract costs	332,221	332,221
Amortization of bond issuance costs and LOC fees	841,007	841,006
Amortization of loans discount	508,680	508,680
Depreciation	4,150,017	4,408,814
Contributions restricted a specific purpose	(1,899)	-
Contributions restricted for capital campaign, net	(48,357)	(480,054)
Change in beneficial interest in Jewish Home & Senior Living Foundation	(417,303)	(51,188)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(18,590)	(9,641)
(Increase) decrease in prepaid expenses and other assets	2,099	(250,666)
Decrease in other receivables	1,626	2,180
Decrease in accounts payable	319,112	(38,065)
Increase (decrease) in accrued liabilities, deferred monthly revenue and other liabilities	(60,480)	(71,968)
Entrance fees received	16,906,652	19,827,411
Net cash provided by operating activities	<u>\$ 12,504,884</u>	<u>\$ 15,053,524</u>

SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION

OTHER SUPPLEMENTAL DISCLOSURE:

Interest paid	<u>\$ 219,397</u>	<u>\$ 219,259</u>
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See Notes to Financial Statements

899 CHARLESTON
DBA MOLDAW FAMILY RESIDENCES
Notes to Financial Statements

1. NATURE OF ACTIVITIES

899 Charleston dba Moldaw Family Residences (the "Organization") was established on March 30, 2006 as a nonprofit public benefit corporation in the State of California. The specific and primary purposes of the Organization are: (1) to provide residential facilities which are specifically designated to meet a combination of physical, emotional, recreation, social and similar needs of aged persons; (2) to maintain arrangements with organizations, facilities, and/or health personnel to address the well-being of the residents; and (3) to adopt policies and procedures designed to address the need of the residents for protection against financial risks associated with the later years of life.

In 2007, 899 Charleston, LLC (the "LLC") was formed in order to facilitate the bond financing transaction for the 899 Charleston project (the "Project"). The Project included the construction of 193 continuing care retirement community units in Palo Alto, California, which became part of the network of living options, services, and care associated with the Hebrew Home for Aged Disabled (the "Home"). The Home was the sole member of the LLC. It was intended that the LLC's rights and obligations under the bond and the Project would be assigned to the Organization after it was recognized by the Internal Revenue Service as a tax-exempt organization. In an agreement with the City of Palo Alto, the owner of the Project will provide a Below-Market Rate ("BMR") Program which includes, among others, providing 24 housing units, 12 assisted living units and 12 independent living units, at entry fee levels that comply with the income and affordability standards prescribed by the BMR Program for 59 years and a \$5 million endowment for financial need with the stipulation that the income be restricted exclusively for the support of Jewish residents of 899 Charleston or accepted applicants who cannot afford a portion of either the entry fee or the continuing monthly costs.

Current Economic Conditions and Going Concern:

The past economic climate presented challenges to senior service providers, which in some cases have resulted in unanticipated declines in the fair values of investments and other assets, declines in occupancy, constraints on liquidity and difficulty obtaining financing. These conditions have affected the rate at which the Organization's residents fulfill or renew existing lease agreements and have affected the Organization's ability to fill unoccupied space, which have had an adverse impact on the Organization's operating results. The financial statements have been prepared using values and information currently available to the Organization.

Given the current economic conditions, the values of assets and liabilities recorded in the financial statements could change, resulting in potential future adjustments in investment values, real estate values and allowances for accounts and notes receivable that could impact the Organization's ability to meet debt covenants or maintain sufficient liquidity.

899 CHARLESTON
DBA MOLDAW FAMILY RESIDENCES
Notes to Financial Statements

1. NATURE OF ACTIVITIES (continued)

Current Economic Conditions and Going Concern: (continued)

In October 2009, the construction of the facility was completed and the Organization commenced operations. As of June 30, 2013, 129 out of 170 available units are occupied. Additionally, as of June 30, 2013, 8 out of 12 assisted living units are occupied and all of the 11 memory support units are occupied. As discussed further in Note 8, under the original terms of the tax-exempt bond financing, the proceeds are to be used to cover construction of the facility and debt service. In addition, under the original terms of the letter of credit and reimbursement agreement, the Organization was required to deposit the capital campaign contributions and entrance fees to pay down the short term portion of the principal on the bonds.

On March 31, 2011, the Organization entered into an amended and restated letter of credit and reimbursement agreement with the lender group which renegotiated the terms of the bonds (Notes 8 and 9). The revised restructuring agreement allocates funds from the Capital Campaign Fund in order to fund deficits in the operations until breakeven and restructured the redemption terms of bonds. Also, as part of this restructuring agreement, a new management firm, Greystone, was hired by the Organization to manage and market the community. Based on the latest budget prepared by Greystone, the Organization is estimating a total of 23 and 13 net move-ins for the fiscal years ending June 30, 2014 and 2015, respectively, which should provide the necessary cash to support the Organization to stable occupancy.

Because of the restructuring terms and change in marketing plans, the Organization believes it will meet its obligations under the restated and amended letter of credit, will have sufficient cash from collections on campaign pledges and entrance fees to cover operational cash shortfalls through to stable occupancy as allowed by the restructured terms of bonds described in Note 9 and will meet the occupancy and cumulative cash net loss/income set covenants set forth in the agreement.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

**899 CHARLESTON
DBA MOLDAW FAMILY RESIDENCES
Notes to Financial Statements**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation:

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represent unrestricted resources available to support the Organization's operations and temporarily restricted resources which became available for use by the Organization in accordance with the intentions of the donors.

Temporarily restricted net assets represent contributions that are limited in use by the Organization in accordance with temporary donor-imposed stipulations. These stipulations may expire with time or may be satisfied and removed by the actions of the Organization according to the terms of the contribution. Upon satisfaction of such stipulations, the associated net assets are released from temporarily restricted net assets and recognized as unrestricted net assets. If a restriction is fulfilled in the same fiscal year in which the contribution is received, the Organization classifies the support as unrestricted. Also included in the temporarily restricted net assets are earnings on the permanently restricted endowment which have not yet been appropriated for use.

Permanently restricted net assets represent contributions to be held as investments in perpetuity as directed by the original donor. The income from these contributions is primarily available to support the activities of the Organization as directed by the donors (Note 12).

Use of Estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include deferred revenue from entrance fees, recoverability of deferral costs and long lived assets, allowance and discounts on pledges receivable and fair value of the interest rate swap. Actual results could differ from those estimates.

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DBA MOLDAW FAMILY RESIDENCES
Notes to Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents:

Cash and cash equivalents consist primarily of cash on deposit and money market accounts that are readily convertible into cash and purchased with original maturities of three months or less, with the exception of cash and cash equivalents held as investments or whose use is limited or designated.

Contributions and Promises to Give:

Contributions which may include unconditional promises to give (pledges) are recognized at fair value as revenues in the period received or unconditionally pledged. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. Promises to give are recorded at net realizable value if expected to be collected in one year and at the present value of their estimated future cash flows if expected to be collected in more than one year.

The discounts on these receivables are computed using risk-adjusted rates applicable in the years in which these promises are received (3.48% - 3.61%). Amortization of the discounts is included in contribution revenue. Conditional promises to give are recognized when the conditions on which they depend have been substantially met and the promises become unconditional. Conditional promises to give of approximately \$700 thousand and \$800 thousand, respectively, as of June 30, 2013 and 2012, have not been recorded.

The Organization uses the allowance method to determine uncollectible pledge receivables. The allowance is based on management's analysis of specific promises made.

Contributed Services:

The Organization recognizes contributed services at their fair value if the services have value to the Organization and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided. During June 30, 2013 and 2012, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Bond Issuance Costs:

Bond issuance costs are deferred and amortized using the effective interest method over the term of the bond liability. Amortization expense for the years ended June 30, 2013 and 2012 was \$841,007 and \$841,006, respectively.

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DBA MOLDAW FAMILY RESIDENCES
Notes to Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment:

Property and equipment are recorded at cost. Routine maintenance and repairs are charged to expense as incurred. Depreciation is calculated using the straight-line method over the following useful lives:

Buildings and building equipment	10 to 40 years
Land improvements	15 years
Personal property	3 to 10 years

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Accounting for Impairment of Long-Lived Assets:

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Management determined that no impairment occurred to the long-lived assets as of June 30, 2013.

Revenue Recognition:

Resident fees are recognized in the month in which they are earned and collectability is reasonably assured. Other revenue is recognized as the related services are provided and includes clinic revenue and other miscellaneous income.

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DBA MOLDAW FAMILY RESIDENCES
Notes to Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Beneficial Interest in Jewish Home & Senior Living Foundation:

The Organization follows the U.S. GAAP standard in recording transactions in which an entity (the donor) makes a contribution by transferring assets to a not-for-profit organization or charitable trust (the recipient organization i.e. the Jewish Home & Senior Living Foundation (the "Foundation")). The Foundation accepts the assets from the donor and agrees to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both to another entity (the beneficiary, i.e. the Organization) that is specified by the donor. The recipient organization (the Foundation) recognizes the fair value of those assets as a liability to the specified beneficiary (the Organization) concurrent with recognition of the assets received from the donor. The Organization recognizes an asset, *Beneficial Interest in Jewish Home & Senior Living Foundation*, with a corresponding change in beneficial interest in the net assets of the recipient organization.

The beneficial interest with the Foundation is placed in certain investments that are exposed to various risks, such as changes in interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to the changes in the value of investment securities, it is possible that the value of the Foundation's investments and net asset balance could fluctuate materially.

Deferred Continuing Care Contract Costs:

Costs incurred in connection with acquiring initial continuing-care contracts are deferred in conformity with the American Institute of Certified Public Accountants guidance on reporting on advertising costs and the U.S. GAAP standard on accounting for costs and initial rental operations of real estate projects. Deferred continuing-care contract costs are amortized on a straight-line basis over the average remaining lives of the residents under the contract or the contract term, whichever is shorter. For each year ended June 30, 2013 and 2012, amortization expense included in marketing and advertising expense was \$332,221.

Continuing Care Contracts:

The Organization has entered into continuing care contracts with the residents of its continuing care facilities. Under the provision of these contracts, residents are required to pay an entrance fee and periodic monthly fees (resident fees) for services and the use of facilities. The resident fees are subject to adjustment for changes in operating costs or other economic reasons. The Organization is obligated to provide residency, care and services to residents.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Continuing Care Contracts: (continued)

Entrance fees are one-time payments made by residents of the continuing care facilities that, in addition to monthly fees, provide for living accommodations. The non-refundable portion of the fees is recorded as deferred revenue and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. The period of amortization is adjusted annually using the life expectancy table published in the California Continuing Care Contract Statutes.

Refundable entrance fees are primarily non-interest bearing, and depending on the type of contract, can range from 0%, 50% to 90% of the total entrance fees. Refundable entrance fees are returned to the resident or the resident's estate depending on the form of the agreement either upon re-occupancy or termination of the care agreement. As of June 30, 2013 and 2012, the Organization is obligated to refund \$80,772,311 and \$66,319,553 in entrance fees, respectively.

The Organization annually evaluates the need to accrue a liability for losses related to the obligation to provide future services under continuing care contracts. A loss is accrued if the estimated present value of the net cost of future services and use of facilities to be provided to current residents exceeds the amount of the deferred revenue from entrance fees. The obligation is equal to the present value of the estimated cash cost of providing care in excess of the estimated periodic fees to be received from residents over the residents' life expectancies plus depreciation of the facilities used by residents. The obligation assumes a future increase in the monthly revenue commensurate with the monthly costs. For the years ended June 30, 2013 and 2012, the interest rate that was used to discount the cost of providing lifetime services in excess of resident fees was 4% and the inflation rate used in estimating operating costs was 2.5%. For the years ended June 30, 2013 and 2012, the calculations of the obligation resulted in an expected positive net present value cash flow and, as such, no liability was recorded.

Fair Value Measurements:

The Organization follows the U.S. GAAP framework for fair value measurements. Assets and liabilities measured at fair value on a recurring basis are classified in one of the following fair value hierarchy levels, based on the lowest level input that is significant to the fair value measurement in its entirety:

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DBA MOLDAW FAMILY RESIDENCES
Notes to Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements: (continued)

- | | |
|---------|---|
| Level 1 | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. |
| Level 2 | Quoted prices in markets that are not considered to be active for identical or similar assets or liabilities, quoted prices in active markets of similar assets or liabilities, and inputs other than quoted prices that are observable or can be corroborated by observable market data. |
| Level 3 | Inputs that are both significant to the fair value measurement and unobservable, including inputs that are not derived from market data or cannot be corroborated by observable market data. |

Marketing and Advertising Expenses:

The Organization expenses most marketing and advertising expenses as they are incurred, except for direct-response advertising which is deferred. Direct-response advertising and marketing expenses consist primarily of acquisition of initial continuing care contracts and were recorded as part of "Deferred Continuing Care Contract Costs" in the statements of financial position. Advertising expense for the years ended June 30, 2013 and 2012 amounted to \$2,576,345 and \$2,204,372, respectively.

Income Taxes:

The Organization is exempt from federal and California state income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and by the Franchise Tax Board under Section 23701(d) of the California Revenue and Taxation Code.

U.S. GAAP requires the Organization to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the applicable tax authority. The Organization has reviewed its tax positions for all open tax years and believes that it has appropriate support for the tax positions taken. Therefore, no liability has been recorded.

The Organization files United States federal and California tax returns. The Organization is no longer subject to federal tax examinations before 2009 or California tax examinations before 2008.

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Notes to Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Performance Indicator:

The performance indicator reported in the statements of revenues, expenses and other changes in unrestricted net assets is captioned as “decrease in unrestricted net assets from operations before other changes in net assets.” Changes in unrestricted net assets which are excluded from the performance indicator include funds released from restriction to purchase assets or service debt, funds released due to satisfaction of time, and change in beneficial interest in Jewish Home & Senior Living Foundation.

Recent Accounting Pronouncements:

In July 2012, the FASB issued ASU No. 2012-01 “*Health Care Entities (Topic 954): Continuing Care Retirement Communities-Refundable Advance Fees (An amendment of the FASB Accounting Standards Codification)*” (ASU No. 2012-01) to clarify accounting standards regarding certain refundable advance fee contracts issued by continuing care retirement communities. Accounting standards generally provide for the nonrefundable portion of advance fees to be accounted for as deferred revenue and amortized into income while the refundable portion of advance fees are reported as a refund liability. An exception is provided when the contract states that the sources of funds for refund of the advance fee is based upon re-occupancy. The current accounting guidance permits recording these advance fees as deferred revenue as well. The new ASU clarifies existing accounting guidance to limit recording refundable advance fees as deferred revenue to only those specific contracts that limit the refund to the re-occupancy proceeds of the resident’s specific unit. These contracts not only impact the timing of the refund to re-occupancy of the specific unit, but also restrict the amount of the refund payable to the amount of re-occupancy proceeds received from the subsequent resident of the unit. ASU No 2012-01 is effective for the Organization’s fiscal year ending June 30, 2014. The organization has concluded that ASU No 2012-01 will not have an impact on its financial statements.

In October 2012, the FASB issued ASU No. 2012-04, *Technical Corrections and Improvements*, (“ASU No. 2012-04”), to address feedback received from stakeholders on the FASB Accounting Standards Codification and to make other incremental improvements to U.S. GAAP. The amendments in this Update represent changes to clarify the Codification, correct unintended application of guidance, or make minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. Additionally, the amendments will make the Codification easier to understand and the fair value measurement guidance easier to apply by eliminating inconsistencies and providing needed clarifications. ASU No. 2011-04 is effective for the Organization’s year ending June 30, 2014. It is not anticipated that ASU No. 2012-04 will have a material impact on the Organization’s financial statements.

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DBA MOLDAW FAMILY RESIDENCES
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements: (continued)

In October 2012, the FASB issued ASU No. 2012-05, *Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows* ("ASU No. 2012-05"). The amendments in this ASU require a not-for-profit entity (NFP) to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows as cash inflows from operating activities, if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash. ASU No. 2012-05 is effective prospectively for fiscal years, and interim fiscal periods within those years, beginning after June 15, 2013. Retrospective application to all periods presented upon the date of adoption is permitted. Early adoption from the beginning of the fiscal year of adoption is permitted. ASU No. 2012-05 concerns classification on the statement of cash flows only and will not have a material impact on the Organization's financial statements.

In February 2013, the FASB issued ASU No. 2013-03, *Clarifying the Scope and Applicability of a Particular Disclosure to Nonpublic Entities* ("ASU No. 2013-03"), around a disclosure requirement in ASU No. 2011-04. ASU No. 2013-03 clarifies that the requirement to disclose the level of fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2, or 3) does not apply to nonpublic entities for items that are not measured at fair value in the statement of financial position but for which fair value is disclosed. This affects nonpublic entities that have total assets of \$100 million or more or that have one or more derivative instruments. ASU No. 2013-03 is effective for the Organization's year ended June 30, 2013. ASU No. 2013-03 did not have an impact on the Organization's financial statements.

3. CONCENTRATION OF CREDIT RISK

The Organization has defined its financial instruments which are subject to credit risk as cash and cash equivalents, and pledge receivables. The Organization maintains its cash in bank-deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents. Pledge receivables are due from various individuals and organizations which mitigate the risks associated therein.

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DBA MOLDAW FAMILY RESIDENCES
Notes to Financial Statements

4. RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents consist of the following:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents held in trust: (a)		
Entrance fees	\$ 14,353,335	\$ 10,902,277
Capital campaign	26,073	512,993
Debt service fund	8,978,585	8,978,585
Accrued interest on bond fund	2	-
Debt service fund interest account	<u>164,681</u>	<u>2,036,177</u>
	23,522,676	22,430,032
Cash - Residents' deposits (b)	<u>4,813,966</u>	<u>5,105,004</u>
	28,336,642	27,535,036
Less: current portion	<u>19,358,254</u>	<u>18,556,648</u>
Non-current portion	<u>\$ 8,978,388</u>	<u>\$ 8,978,388</u>

(a) Cash held in trust represents the remaining balance of the Organization's bond proceeds, entrance fees and capital campaign contributions collected that are restricted by the bond agreement and the restated letter of credit agreement to be used to service the debt and to fund deficits until breakeven (Note 8 and Note 9).

(b) The residents' deposits consist of a portion of the refundable reservation deposits from prospective residents and 10% of current residents entrance fees paid through December 31, 2009. The prospective residents' deposits collected are held in escrow and any interest earned on the deposits accrues to the prospective residents. The deposits, together with any accrued interest, are refundable should the residents cancel their reservation for the units, subject to certain conditions prior to their availability for occupancy. Pursuant to the requirements by the California Department of Social Services, the 10% of entrance fees paid from current residents through December 31, 2009 are held in this escrow account until the Organization has reached 80% occupancy.

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DBA MOLDAW FAMILY RESIDENCES
Notes to Financial Statements

5. NOTES RECEIVABLE

During the years ended June 30, 2013 and 2012, the Organization entered into continuing care contracts with 13 and 6 individuals, respectively, of which a portion of the entrance fees were received upon signing of the contracts and notes receivable were issued for the remaining balances due. The notes are non-interest bearing and are due at various dates within a six month to twelve month period from the date of issuance. The notes receivable are carried at the unpaid principal balances, less an allowance for losses. Prior to accepting deposits from prospective residents, the organization does an extensive credit check and verifies the applicant's assets. Based on past collection experiences, the Organization estimated that all the outstanding balances are collectible. No provision of allowance for losses is deemed necessary.

6. PLEDGE RECEIVABLES

Pledge receivables consist of the following:

	2013	2012
Campaign pledge receivables	\$ 884,140	\$ 1,119,838
Less allowance for doubtful accounts	297,000	175,375
	587,140	944,463
Less: current portion	336,266	425,299
	250,874	519,164
Less: discount to net present value	31,197	54,127
Non-current portion	\$ 219,677	\$ 465,037

Gross pledges are scheduled to be collected as follows:

	2013	2012
Due in less than one year	\$ 386,516	\$ 425,299
Due one year to five years	476,686	652,664
Due over five years	20,938	41,875
Total	\$ 884,140	\$ 1,119,838

**899 CHARLESTON
DBA MOLDAW FAMILY RESIDENCES
Notes to Financial Statements**

7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2013	2012
Land	\$ 13,118,538	\$ 13,118,538
Buildings and building equipment	127,273,513	127,239,892
Land improvements	699,524	695,743
Furniture and equipment	6,145,914	6,041,323
Automobiles	130,065	118,378
Artwork	29,010	29,010
Construction in progress	428,715	-
	<u>147,825,279</u>	<u>147,242,884</u>
Less: accumulated depreciation	<u>(16,233,194)</u>	<u>(12,083,177)</u>
	<u>\$ 131,592,085</u>	<u>\$ 135,159,707</u>

Building costs include \$1,874,663 in capitalized interest. The capitalized interest represents the excess of interest expense over interest income on bond proceeds from the date of the issuance of the bonds through the end of the construction period.

Depreciation expense for the years ended June 30, 2013 and 2012 was \$4,150,017 and \$4,408,814, respectively.

8. BONDS PAYABLE

The Organization's bonds payable represent tax-exempt variable rate revenue bonds (899 Charleston Project) Series 2007 issued by ABAG Finance Authority for Nonprofit Corporations in the amount of \$165,805,000 which will mature on June 1, 2037. The bonds are special obligations of ABAG, payable by the Organization. The use of the proceeds was limited to the Organization's capital project. As of June 30, 2013 and 2012, the outstanding balance on the bonds is \$82,830,000 and \$90,100,000, respectively.

The terms of the amended and restated letter of credit and reimbursement agreement (Note 9), sets forth a formula for how the bonds and the funded loan under the participation agreement (Note 10) are to be redeemed through the earlier of the Organization reaching stable occupancy, as defined in the agreement, or June 30, 2016. The formula is a function of the entrance fees collected in excess of certain threshold amounts on a quarterly basis starting with the quarter ending March 31, 2011.

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8. BONDS PAYABLE (continued)

Based on the current marketing plans and projections as described in Note 1, the estimated amounts to be redeemed by the Organization over the term of the bonds are as follows:

Year Ending June 30	
2014	\$ 20,156,000
2015	10,748,000
2016 (*)	51,926,000
	<u>\$ 82,830,000</u>

(*) Approximately \$51.9 million of the redemption amount for the year ending June 30, 2016, represents the balance of the bonds to be redeemed in exchange for a term loan (Note 10).

Interest payments on the bonds are due on the first business day of each month and are computed based on daily interest rates set by the remarketing agent which, in no event, may exceed 10%. As of June 30, 2013 and 2012, the interest rate on the bonds was 0.12% and 0.25%, respectively.

9. LETTER OF CREDIT

In connection with the issuance of the bonds payable (Note 8), the Organization has a standby letter of credit with a bank for approximately \$107 million and \$112 million, as of June 30, 2013 and 2012, respectively, which expires on June 30, 2016. The Organization restructured the terms of its \$168 million standby letter of credit with the lender group. The original letter of credit and reimbursement agreement required that the collection of the capital campaign funds and entrance fees be used to redeem the principal amount of the bonds in an amount not less than \$118,425,000 on a quarterly basis with a final quarterly payment being made by June 30, 2012. The restructured letter of credit and reimbursement agreement dated March 31, 2011 allows the capital campaign funds to be used for operations and the collected entrance fees to be used to pay for debt service and restructuring fees. It is anticipated that the trustee of the bonds will draw in full on the letter of credit to pay down the bonds. Draws under the letter of credit, if not paid immediately, will constitute a loan.

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9. LETTER OF CREDIT (continued)

One year after the Organization reaches its stable occupancy, as defined in the agreement, or on June 30, 2016, whichever is earlier (the "exchange date"), the balance of the then outstanding bonds and term loans under the letter of credit will be exchanged into a new term loan. The term loan will have two notes. At that time, the Organization and lender will determine the carrying amount of each note. Note A will be amortized over 25-years with an annualized interest rate of LIBOR plus 4.25%. Note B will accrue interest monthly at an annualized interest rate of LIBOR plus 5.00%, payable after Note A is paid in full. The forbearance and restructuring fee of 1% of the letter of credit is to be added to the principal balance of Note B and payable in accordance with the terms of Note B. Obligations due to Jewish Home and Senior Living Foundation of \$7 million and Jewish Home of San Francisco of \$409,781 will convert into Note C1 and C2, respectively. The notes will be unsecured and subordinated to Note A and B. Notes C1 and C2 will accrue monthly interest at an annualized interest rate of LIBOR plus 5.00% starting at the exchange date and payable when Note A and B are paid in full.

As required by the letter of credit agreement, the Organization and the Foundation entered into a support and guarantee agreement with the lender group in which the Foundation is a partial guarantor for up to \$7 million. As a guarantor, the Foundation is required to fund the Organization's project fund deficiency, as defined in the agreement, up to \$7 million. The guarantee was fully funded in 2011 (See Note 10).

A fee ranging from 0.90% to 1.35% is charged on a quarterly basis for the unused portion of the letter of credit based on the occurrence of certain events. The rates as of June 30, 2013 and 2012 were 1.35%. The restated letter of credit requires the Organization to maintain certain sales and occupancy levels starting with quarter ending December 31, 2011. The Organization obtained an amendment to the letter of credit agreement on November 27, 2012 which waived the non-compliance for the quarter ended September 30, 2012 and renegotiated new minimum occupancy level requirements for the subsequent quarters. In addition, the amendments set quarterly cumulative cash net loss/income covenants. During year ended June 30, 2013, the minimum occupancy covenants and cumulative cash net loss/income covenants were revised for fiscal year June 30, 2014. Management is currently in compliance with these new terms.

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DBA MOLDAW FAMILY RESIDENCES
Notes to Financial Statements

10. LOANS PAYABLE

Loans payable consist of the following as of June 30:

Description	2013	2012
Loans from the Foundation (a)	\$ 7,000,000	\$ 7,000,000
Deferred charges from Hebrew Home of San Francisco (b)	409,781	409,781
	<u>7,409,781</u>	<u>7,409,781</u>
Less: discounts on loans	678,243	1,186,923
Total	<u>6,731,538</u>	<u>6,222,858</u>
Term loan under letter of credit agreement (c) (Note 9)	20,740,095	22,119,158
	<u>27,471,633</u>	<u>28,342,016</u>
Less: current portion	4,941,000	2,422,200
Non-current portion	<u>\$ 22,530,633</u>	<u>\$ 25,919,816</u>

(a) During the years ended June 30, 2011 and 2010, the Foundation provided the Organization with loans totaling \$3,157,314 and \$3,842,686, respectively, to fund the Organization's project deficiencies and operational needs as guarantor under the letter of credit agreement. The loans are noninterest-bearing until converted to Note C1 at the exchange date (Note 9). The Organization has recorded a discount on the loans using an interest rate of 9% for the period from April 2011 to October 2014. The discount on the loans was recognized as temporarily restricted contribution in the statements of changes in net assets and is being amortized as interest expense over the term of the loans using the straight-line method.

(b) The Home provided the Organization various services during the years ended June 30, 2011 and 2010 (Note 14). Fees charged for such services were converted to a loan to the Organization. The loan is noninterest-bearing until converted to Note C2 at the exchange date (Note 9). Organization has recorded a discount on the loans using an interest rate of 9% for the period from April 2011 to October 2014. The discount on the loan was recognized as temporarily restricted contribution in the statements of changes in net assets and is being amortized as interest expense over the term of the loan using the straight-line method.

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Notes to Financial Statements

10. LOANS PAYABLE (continued)

- (c) On March 31, 2011, the bank group signed the Second Amended and Restated Participation Agreement (the "Participation Agreement"). Under this Participation Agreement, the lead lender in the lending group redeemed \$26,500,000 of the bonds in May 2011 in exchange for a term loan from one of the participating banks. The holder of the term loan shares in the same rights and obligations under the letter of credit agreement and will receive their pro rata share of the LOC and remarketing fees and the redemption payments.

The terms of the amended and restated letter of credit and reimbursement agreement (Note 9), sets forth a formula for how the bonds and the funded loan under the participation agreement are to be redeemed through the earlier of the Organization reaching stable occupancy, as defined in the agreement, or June 30, 2016. The formula is a function of the entrance fees collected in excess of certain threshold amounts on a quarterly basis starting with quarter ending March 31, 2011. Based on the current marketing plans and projections as described in Note 1, the estimated amounts to be paid by the Organization over the term of the funded loan are as follows:

Year Ending June 30	
2014	\$ 4,941,000
2015	2,635,000
2016 (*)	13,164,095
	<u>\$ 20,740,095</u>

- (*) Approximately \$13.1 million of the redemption amount for the year ending June 30, 2016, represents the balance of the bonds to be redeemed in exchange for a term loan (Note 9).

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Notes to Financial Statements

11. FAIR VALUE MEASUREMENTS

The following fair value hierarchy table presents information about the Organization's financial instruments measured at fair value on a recurring basis as of June 30, 2013:

Description	Balance as of June 30, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Un-observable Inputs (Level 3)
<u>Assets</u>				
Restricted cash and cash equivalents	\$ 28,336,642	\$ 28,336,642	\$ -	\$ -
Beneficial interest in Jewish Home & Senior Living Foundation	4,626,290	-	4,626,290	-
	<u>\$ 32,962,932</u>	<u>\$ 28,336,642</u>	<u>\$ 4,626,290</u>	<u>\$ -</u>

The following fair value hierarchy table presents information about the Organization's financial instruments measured at fair value on a recurring basis as of June 30, 2012:

Description	Balance as of June 30, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Un-observable Inputs (Level 3)
<u>Assets</u>				
Restricted cash and cash equivalents	\$ 27,535,036	\$ 27,535,036	\$ -	\$ -
Beneficial interest in Jewish Home & Senior Living Foundation	3,955,772	-	3,955,772	-
	<u>\$ 31,490,808</u>	<u>\$ 27,535,036</u>	<u>\$ 3,955,772</u>	<u>\$ -</u>

The following table summarizes the changes in the Organization's Level 3 assets for the period ended June 30, 2012:

	Restricted Cash and Cash Equivalents
Balance, beginning of year	\$ 8,978,388
Interest income	406,667
Withdrawals, collections and settlements (net)	(9,385,055)
Balance, end of year	<u>\$ -</u>

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Notes to Financial Statements

11. FAIR VALUE MEASUREMENTS (continued)

The valuation methodologies used to determine the fair values of assets and liabilities under the “exit price” notion under U.S. GAAP framework for fair value measurement reflect market-participant objectives and are based on the application of the fair value hierarchy that prioritizes observable market inputs over unobservable inputs. The Organization determines the fair values of certain financial assets and financial liabilities based on quoted market prices, where available. The Organization also determines fair value based on future cash flows discounted at the appropriate current market rate. Fair values reflect adjustments for counterparty credit quality, the Organization’s credit standing, liquidity and, where appropriate, risk margins on unobservable parameters. The following are the techniques used to determine fair values for the financial instruments listed in the above tables.

- *Restricted cash and cash equivalents* - consist of cash equivalents and private debt obligations and are valued at amortized cost, which approximates fair value. Private debt obligations are presented as Level 3 because they have no active market and are held to maturity.
- *Beneficial interest in Jewish Home & Senior Living Foundation* - the fair value is determined based on the Organization’s ownership interest in investments measured at quoted market prices.

Fair values of the Organization’s financial instruments as of June 30, 2013 that are not measured at fair value on a recurring basis are as follows:

- *Cash and cash equivalents, accounts receivable, notes receivable, prepaid expenses and other assets, other receivable, accounts payable and accrued expenses, and refundable deposits* – the carrying amount approximates fair value due to their short term nature.
- *Pledge receivables* -the carrying value approximates fair value since they are carried at the expected amounts discounted to present value. Pledge receivables are recorded net of an allowance for losses.
- *Bonds payable* - the carrying value approximates fair value as the bonds are variable interest rate bonds with interest rates that adjust on a daily basis and fluctuate with changes in market rates.
- *Loans payable* - the carrying value approximates fair value as they are carried at the amounts to be paid discounted to present value.

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12. ENDOWMENT FUNDS

The Organization follows the U.S. GAAP standard for reporting endowment funds. The standard provides guidance on the net asset classification of donor-restricted endowment funds that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The State of California adopted a version of the UPMIFA, known as the State Prudent Management of Institutional Funds Act ("SPMIFA").

SPMIFA moves away from the concept of corpus with its "historical dollar value" in an endowment. Charities are encouraged to develop spending policies that are responsive to short term fluctuations in the value of the fund, preserve the value of the fund for future use, and honor the charitable purpose of the fund. The Organization will continue to balance the endurance of its funds and the needs of the community in its granting policies and practices.

The Organization's endowment assets are generally donor-restricted endowment funds established to generate support for Jewish residents of the Project or accepted applicants who cannot afford a portion of either the entry fee or the continuing monthly costs. As required by the U.S. GAAP standard, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law:

The Board of Trustees of the Organization has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

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12. ENDOWMENT FUNDS (continued)

Interpretation of Relevant Law: (continued)

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization.

Return Objectives and Risk Parameters:

The Organization has adopted investment and spending policies for endowment assets that will ultimately provide a predictable stream of funding to provide support for the various programs of the Organization while seeking to maintain the original gift value of the endowment asset. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to realize a competitive rate of return comparable to index benchmarks.

Strategies Employed for Achieving Objectives:

To satisfy its long-term rate-of-return objectives, the Organization relies on a diversified asset investment strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation of investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy:

The Organization has a policy of appropriating for distribution the income, both current and accrued, from the endowment funds to anyone who needs financial assistance for any aspect of their stay at the facilities of the Organization. The Organization is expecting to provide annual distributions of 5% of the market value of the endowment assets as determined quarterly and averaged over the preceding 36 months. The investment managers are required to invest funds so as to ensure that required distributions of income can be met. In order to avoid untimely sales of securities, the Board of Trustees will forward to the managers estimates of needed payouts well in advance.

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12. ENDOWMENT FUNDS (continued)

Funds with Deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of perpetual duration. No deficiency of this nature existed as of June 30, 2013 and 2012.

Endowment Net Asset Composition by Type of Fund as of June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 799,807	\$ 3,845,482	\$ 4,625,289

Changes in endowment net assets for the year ended June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of period	\$ -	\$ 362,504	\$ 3,717,266	\$ 4,079,770
Contributions	-	-	128,216	128,216
Investment return:				
Change in beneficial interest	-	417,303	-	417,303
Endowment net assets, end of year	\$ -	\$ 799,807	\$ 3,845,482	\$ 4,625,289

Endowment Net Asset Composition by Type of Fund as of June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 362,504	\$ 3,717,266	\$ 4,079,770

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12. ENDOWMENT FUNDS (continued)

Changes in endowment net assets for the year ended June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of period	\$ -	\$ 311,316	\$ 3,289,350	\$ 3,600,666
Contributions	-	-	427,916	427,916
Investment return: Change in beneficial interest	-	51,188	-	51,188
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 362,504</u>	<u>\$ 3,717,266</u>	<u>\$ 4,079,770</u>

13. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted as follows at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Earnings on endowment net assets	\$ 779,807	\$ 362,504
Moldaw library Fund/General Funds	3,949	3,259
To be expended in future periods	678,243	1,186,923
Capital campaign fund	555,943	3,501,136
	<u>\$ 2,017,942</u>	<u>\$ 5,053,822</u>

Net assets were released from restrictions during 2013 and 2012 for the following purposes:

	<u>2013</u>	<u>2012</u>
Expended in current period	\$ 509,890	\$ 510,722
Satisfaction of purpose	2,860,452	-
	<u>\$ 3,370,342</u>	<u>\$ 510,722</u>

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14. FINANCIALLY INTER-RELATED ORGANIZATIONS

Taube-Koret Campus for Jewish Life:

The Taube-Koret Campus for Jewish Life ("TKCJL") is a collaborative initiative founded and developed by the Home, the Albert L. Schultz Jewish Community Center of Palo Alto, the Jewish Community Federation, and local community leaders. The purpose of TKCJL is to strengthen and enhance Jewish community life in the South Peninsula by fundraising and supporting the development of a multi-purpose, intergenerational Jewish campus.

On August 16, 2007, TKCJL, the LLC, the Organization, and Jewish Community Center (the "Parties") entered into a Memorandum of Understanding to delineate and memorialize the respective rights, roles and responsibilities of the Parties related to the transfer of assets held by TKCJL for the benefit of the parties' respective projects, including pledge collection, transfer and fundraising on the capital campaign which was targeted to raise approximately \$140 million.

In addition, the parties agreed that TKCJL will continue to act solely as a fundraising and collection agent following the closing of the bond financing. As of June 30, 2013 and 2012, the Organization has received approximately \$24 million and \$23 million in pledges and contributions through TKCJL, respectively.

The Foundation:

As disclosed in Note 10, the Foundation has provided the Organization with noninterest-bearing loans totaling \$7 million, to cover the project fund deficiency and operational needs. As of June 30, 2013, the entire balance remains outstanding.

Hebrew Home for the Aged Disabled (the "Home"):

The Home entered into an inter-company service agreement with the Organization whereby the Home agreed to provide the Organization various services, including but not limited to, housekeeping, plant operations, maintenance, administrative office support, information services, finance and accounting, public relations, and human resources. This agreement was terminated as of June 30, 2011. As of June 30, 2013 and 2012, \$409,781 was accrued for the services that were provided in prior fiscal years by the Home. Pursuant to the new Exchange Agreement (Notes 1 and 9), the outstanding balance as of the exchange date will become Note C1 and Note C2 which are unsecured and subordinate to Note A and Note B.

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14. FINANCIALLY INTER-RELATED ORGANIZATIONS (continued)

Jewish Senior Living Group:

In April 2011, the Home transferred its administrative, finance and accounting, IT and human resources functions to Jewish Senior Living Group ("JSLG"). The Organization and JSLG signed a Memorandum on April 1, 2011 whereby JSLG will provide services related to finance and accounting, information technology, human resources and organizational advancement at a monthly fee of \$18,750, plus any additional services, costs, or expenses pre-approved by the Organization. Effective July 1, 2012 a new Memorandum was signed revising the monthly fee to \$19,688 plus any additional services costs or expenses pre-approved by the Organization. During the years ended June 30, 2013 and 2012, the Organization paid \$329,161 and \$287,076, respectively to JSLG for such services. As of June 30, 2013, the Organization owed \$80,817 to JSLG for these services, the balance of which is included in accounts payable.

15. RETIREMENT PLAN

The Organization sponsors a 403(b) defined contribution plan for its employees. The plan covers substantially all employees meeting certain eligibility requirements. The total expenses under the plan were \$12,548 and \$17,754 for the years ended June 30, 2013 and 2012, respectively.

16. FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function for the years ended June 30, 2013 and 2012 were as follows:

	2013	2012
Program activities	\$ 15,419,963	\$ 14,604,398
Management and general	1,360,505	1,553,501
Fundraising	32,711	26,540
	<u>\$ 16,813,179</u>	<u>\$ 16,184,439</u>

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17. COMMITMENT AND CONTINGENCIES

Litigation:

In the normal course of business, the Organization is, from time to time, subject to allegations that may or do result in litigation. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Regulatory Matters:

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to the matters such as licensure, accreditation, and government healthcare program participation requirements.

18. SUBSEQUENT EVENTS

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through October 30, 2013, the date of the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with U.S. GAAP. Management has determined that there are no unrecognized subsequent events that require additional disclosure

